

Following is a transcript of President Reagan's news conference last night in Washington, as recorded by The New York Times:

including genuinely democratic elections in Nicaragua.

The freedom fighters in Nicaragua have promised to lay down their arms and to participate in genuinely democratic elections if the Sandinistas will permit them. Our Congress faces some historic decisions this week. Those who struggle for freedom everywhere are watching to see when America can still be counted upon to support its own ideals. The people of El Salvador are watching the freedom fighters in Nicaragua. They are watching, Nicaragua's threatened neighbors are watching and the enemies of freedom are watching as well.

Our balanced policy can succeed if the Congress provides the resources for all elements of that policy as outlined in the bipartisan recommendations of the Kissinger Commission. The Congress offers too little support it will be worse than doing nothing at all. The success of Communism in Central America poses the threat that 100 million people from Panama to the open border on our Gulf Coast will be worse than doing so. Pro-Soviet regimes, under the control of the United States, are causing a massive exodus of refugees to the United States.

The Congress has the opportunity to reaffirm our commitment to brave the political and ideological storms for the cause of liberty and democracy in Central America. The Congress also has the opportunity to reaffirm our bipartisan tradition, which will tell the world that we're united when our

## Saudi Response

### Middle East Conflict

Q. Mr. President, on the Persian Gulf again, is it true that you have written a memo saying that if the U.S. should take the United States off the hook, that we are willing to supply air cover to protect the oil fields?

A. As I didn't specify what we would do, but we have told them, because I made a statement earlier that neither we nor the rest of the world as such would stand by and see the Persian Gulf closed to international traffic.

Q. Mr. President, then in your judgment, what is the likelihood of American servicemen being involved in the Persian Gulf conflict specifically in the near future in the Middle East?

A. I think very slight. I can't foresee anything happening.

Q. You cannot foresee that happening?

A. As things stand now, no, I don't think so.

### Central America

Q. Mr. President, you've said America's vital interests are at stake in Central America. What will we do if the situation there deteriorates?

Mr. President, on the Persian Gulf again, is it true that you have been invited to the Saudis saying that you'd ask the United States for help, that we were willing to supply arms to protect the oil fields? Is that so? We didn't specify what we would do, but we have told them, because I made a statement earlier that neither we nor the Western world as such would stand by and see the Straits of Persian Gulf closed to international traffic.

Mr. President, then in your judgment, what is the likelihood of American servicemen being involved in the kind of shooting war, shortly or long, that is going on in the Middle East? I think very, very little. I can't force that happening.

You cannot foresee that happening.

As things stand now, no, I don't think so.

### Central America

Mr. President, you've said that Central America is at stake in Central America. What will we do?

Mr. President, you've said America's vital interests are at stake in Latin America. What will we do to do if the Congress does deny security assistance to such a country, the threat of Soviet-sponsored forces taking over all of the countryside up to our Southern border? What do we have to do, to — Well suppose the Congress does take the money that you need for freedom fighters, as you call them, what then would we be required to do to prevent this scenario developing? We'd be in a very difficult position so would they. But, I have hopes that after President Johnson's visit here, and meeting with many of the Congress as he did, there's some reason for optimism.

Mr. President, there were reports that the Administration had been around Congress and continued activities in military and intelligence activities in Germany by funneling money through accountants—tricks of accounting—under the name of the C.I.A. I think you can't dispute that. I think you can at least assure the American people that you have not been around Congress and that you will not be around Congress in increasing the funding for military activities in Germany.

Mr. Andrews, I've thought of no cedures that are any different from what has been done in past Administrations. I've thought of no way without the knowledge of the press.

But can you explain then, sir, we thought Congress was told about a year ago that if Congress didn't appropriate the money the C.I.A. supporters would run out of money by next November. I have been told that the C.I.A. has enough to get through the rest of the year. How can you get through without getting secret funds?

Well, unless they guessed wrong the first date, but I thought that they would be able to get through by then. I think they are apparently here, but I think any—well, nothing of that kind. I think they are without knowledge of Congress.

er, interest rates are going up, the stock market is going down, and economists say we're going to have a recession perhaps this fall. I think we're headed for a re-

The New York Times / Paul Hozefron

President Reagan speaking at news conference last night

And they can see — for example the modernity of our strategy — we can see, which are all important.”

Peacekeeper, the MX — they can see the contest that is going on as to whether the MX is the right answer. And this can't help but be encouraging to them.

And if it's true, they came to the table, and I think they only came to the table because they believed in our determination to continue our efforts. And they were left behind because their whole propaganda campaign against the deployment of the Pershing and the Cruise missiles in Europe was based on the fact that this by this country when NATO requested it — and we're keeping that request at all the time that they were negotiating. And they were kept on building and adding to their stock of SS-20. Now these are triple warheads, and they're aimed at Europe, targeted on all the targets of Europe. But also, they have been targeted at targets in Asia.

And it was our policy that NATO that NATO was for an intermediate-range weapon that could be based in Europe, and that was the policy. And we have — we're providing that.

It won't in any way match the 1,350 or so warheads that are in the SS-20's, and that's why it's not a deterrent. The use of a deterrent is to have the enemy know that if he's contemplating some rash action, the cost to him will be too high.

So we're going forward with

**Q.** Mr. President, two questions on your upcoming trip to Europe. First, are you concerned in any way that the planned demonstrations in Ireland will mar what was supposed to be a friendly homecoming for the television cameras? And, secondly, you have gone to economic summits for four years now and told the Allied leaders that American interest rates will be coming down and the deficit will be coming down. Given the fact that interest rates are going up, why should Allied leaders believe you if you sing the same song?

Q. Mr. President, given the coolness of our relationship right now, do you think the Russians have a problem of saving face, perhaps in returning to negotiating? If so, would you be prepared to offer some gesture — to make some overture — that would be

Q. Mr. President, you said earlier that if asked, the United States would assist Persian Gulf states in keeping the Strait of Hormuz open. Are there any circumstances where American interests could be so threatened that the United States would act unilaterally or without a request from those states?

Actually, only 3 percent of our oil supply now, thanks to decontrolling oil and increasing domestic production, only 3 percent is involved in the Persian Gulf for us. And we have increased our stockpile of oil to four times what it was when we came

So I can't see a kind of an emergency that would do this. But also remember, we are in consultation also with our allies, with those nations that would be affected. Because we're not contemplating anything unilaterally here; this problem is one that affects all of us.

Q. What would the United States do to help its allies in the event of an oil cutoff? Would we give them oil from the strategic reserve?

A. We have had people in consultations with our allies, and they've been holding meetings on discussing contingencies of this kind. We would not hold back on immediately turning to our reserve, but I'm not prepared to say we've made any specific plans.

Q. Mr. President, some of your top administrative advisors suggest that the interest rate question could be the cutting edge in November on the, for the election. With some of your people saying that the Federal Reserve Board has too much control of the interest rates, others saying that they haven't had — that they've been too harsh, the criticism has been too harsh of the Fed — what is your position? Do you think the Fed should loosen up on the money supply?

A. Well, as I indicated earlier, Gary, I think they're right on target with it now. It is a little short time ago as it relates to the regular business cycle, and I think this was one of the things that caused some panic out there in the money markets because usually, or in the past on a number of occasions such, back around '79 and '80, that such a dip was then followed by a recovery in the money strings, such as a flood of money that came out when we went to 2 1/4% interest rates and double-digit inflation for two years or so forth. But it is possible, Gary, that this is an exact tool, of money printing. Some people are judging on a weekly basis the way the market reacts, there can be an inadvertent dip or inadvertent spurge.

B. So I don't know whether the time when they got below their line was when they were not. But they are back above on target and they are showing a normal rate of increase, let's say to increase in the economy.

Q. Mr. President, the White House and the Pentagon worked very hard yesterday to tell people that they couldn't really worry about the new nuclear missile submarines the Soviet Union says they've placed off the American coast. Can you tell the

Q. Mr. President, given the coolness of our relationship right now, do you think the Russians have a problem of saving face, perhaps in returning to negotiating? If so, would you be prepared to offer some gesture — to make some overture — that would be

Q. Mr. President, if it's any consolation to you, I've written all my relations in County Kerry not to demonstrate seriously until you and I are safely out of the country. But I wanted to ask you if you have any message for the Soviet Government for the Sakharovs about the possibility of getting them out of the country—whether there's any deal or any deal that can be made to save their lives?

Q. Mr. President, the Civil Rights Act of 1984 is expected to go to House committees tomorrow. Because of the Supreme Court's decision in the Grove City College case, the bill restores all-inclusive prohibitions against sex, race, handicap or age discrimination at institutions with federally assisted programs. Do you

**Q.** Mr. President, your Administration has said that once we build up our military strength, the Russians would have an incentive to come to the negotiating table. You have said that we have built up our military defenses, but why have the Russians not returned to the negotiating table?

**A.** Well, as I say, maybe they're waiting for the election to be over. I think, no, we have built up. On the other

Q. Mr. President, after the bailout of Continental Illinois Bank, some experts are concerned about the soundness of America's banking system. You have pushed for deregulation, but are you now concerned that your Administration will have to bail out more big banks because, like public utilities for example, they cannot be permitted to fail?

A. No. This particular bank and this so-called bailout — it may be — \$ by the banking system itself, and it's been done before.

The protection has been offered to the depositors. And obviously everyone would like to hope that there won't be any — that the bank won't fail. But if it does, the people who'd be injured would be the stockholders. And, no, I do not see that this is any threat to the banking system as such. This is one bank that needs some help.

Q. Mr. President, the other day Treasury Secretary Regan raised the possibility that your Administration may push Congress for passage of two separate tax bills in 1985: one to simplify the current tax code and the second to raise new revenues in order to shrink the budget deficit. If you're re-elected, are higher taxes a good possibility next year?

A. I have to feel — I haven't had a chance to read it yet, but I have a feeling that he started probably trying to clarify and make it a little more understandable, but the simplification of the tax structure, it won't be a gimmick in order to raise revenue. It's a genuine effort to get a tax increase from that. Now, spending any of a tax increase in addition to that, that's a completely different matter. I was possibly feeling that if we get to the absolute bottom of where we can go, that we can't go any further, we would then turn out to be a higher percentage of the gross national product than we are now. I think that if you would have to review the tax structure to see if you knew that you were going to have to make reductions in the cost of Government. You'd have to make the tax structure more efficient. I think that's all. But we're not anywhere near that, and I'm not looking for any tax increase in the next few years. The long way to go in cutting Government spending, Government is taking too much out of the gross national product, out of the private economy.

Q. Mr. President, you've said in the past that you have no intention of sending U.S. troops into the combat in El Salvador and President-elect Duarte said yesterday that he has no intention of asking for U.S. troops to go there. But despite these denials, the doubts linger. Walter Mondale insists that your policy will lead to U.S. involvement down there. Can you say unequivocally tonight that you would not send troops down to El Salvador even if it appears that without them, El Salvador might fall to the Commu-

A. First of all, President Duarte made it very plain that they would never require the help of troops. We have never had any consideration of doing that or any thought of doing that at all. I don't know how I can convince anyone, but all you'd have to do is look at all our friends and neighbors in the Caribbean and probably as a holdover from the past, some of these all those friends and neighbors, if we did that. They want our help. They know they have to have our help economically and in the manner in which we are going it, in military support, by training and supplies and equipment and so forth. But they don't want American manpower there.

with this, if El Salvador clearly were going to fall to the Communists, would you feel it's in the U.S. interest to send our troops in there and stop that, or would you allow the country to go Communist?

A. Well, you're asking me for a hypothetical question and one in which I think that I would be very foolish to try and answer.

Q. Mr. President, the people on your staff and people in the Justice Department are well aware of some of the shenanigans of defense contractors—I refer to General Dynamics and some of their subleagues; if you want specific names I can give them. But I wonder if you are going to leave this curtain down on this national scandal or you're going to see that it's brought out and that some of the \$650 million tax money that was allowed to go in settlement from the Navy to General Dynamics a while back, if you'll see that that's collected.

[illegible]

## ws Conference

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you to check it out.

### NATO Solidarity

Q. Mr. President, I was wondering, sir, if you could give us your definition of holding firm. In answer to Charlotte's question you said our allies in Europe were holding firm in accepting missiles. Yet the Dutch Government is going through a rain dance because their people don't want to take the new missiles. Could you sort of tell me how that is holding firm?

A. Well, the decision must be made by the Dutch Cabinet, the Cabinet of the Netherlands, and the Parliament, and they have not yet taken up that issue or made a decision on it. They are slated to get some cruise missiles there, but in the other countries, basically, Italy, Germany, the other NATO countries, they're all going forward, England, the bases are being erected for the missiles, including the Pershings. And as I say not just on that issue alone. But I have to tell you that some time ago when we came here we found there was disarray in the NATO alliance and that no longer holds true today. I think we're closer than probably we've ever been.

Q. But if the Dutch Government reverses and changes their mind are you fearful that'll set off a chain reaction among the other allies where the situation is, it's that tenuous?

A. No, I doubt that they would. There might be another country or so among some of the smaller allies that might follow suit, but the rest, rest assured, wouldn't.

### Closeness to War

Q. Mr. President, you said a little while ago that you felt that the world was a little more secure a place since you've been in power. How do you account for the fact that so many people in so many countries think that during the last three and a half years the world has moved closer to war, rather than closer to peace?

A. I would say that that is because that's all that most of the people have been hearing in political dialogue from one side since we've been here in the three and a half years — that I somehow have an itchy finger and am going to blow up the world. And that has all been duly reported by so many of you that that is the tone that the people have been getting. And it doesn't do me any good to tell you that having seen four wars in my lifetime — I don't know of anyone in or out of Government that is more determinedly seeking peace than I am.

And my goal is the total elimination of nuclear weapons. If we can get those fellows back to the table and get them to start down that road of mutual reduction, then they might find out what common sense it would mean to eliminate them. But I would also point out that if we're that dangerous in three and a half years, why is it that while the Soviets are still carrying on in Afghanistan and backing the forces in Kampuchea, the North Vietnamese forces there — but all those gains that they were making in the few years before we came here — Ethiopia, South Yemen, Angola, all of those things — they haven't taken another inch of territory since we've been here?

Q. I think, Mr. President, what the ordinary person is seeing, is that the United States is rearming heavily, that Russians are rearming heavily, and the ordinary person says, What is going to be the outcome of this arms race? Nobody is at any table.

A. No, it is as simple as this. The Soviets — this isn't new for them — they're up at full pitch. I doubt if they could expand their military production *anyplace beyond where it is right now* or the rate that it is. On the other hand, they know that when for the first time in, as I say, decades, they see us determined to refurbish our defenses, they know that they can't match us if there is such a race. Which means that the only alternative for them is to watch us catch up or to sit down at the table with us and work out something in which they won't have to run the risk of someone being superior to them militarily. Helen's told me I'm all through.